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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 25, 1999

APPLICATION OF

DELMARVA POWER & LIGHT COMPANY

CASE NO. PUE990344

For an increase in its electric  
Fuel Rate pursuant to § 56-249.6  
of the Code of Virginia

ORDER ESTABLISHING 1999-2000 FUEL FACTOR

On May 18, 1999, Delmarva Power and Light Company ("Delmarva" or "the Company") filed an application, testimony, and exhibits in support of an increase in its currently operative fuel factor from 1.783¢/kWh to 1.987¢/kWh.

By Order dated May 27, 1999, the Commission established a schedule for hearing and for the filing of testimonies and provided an opportunity for any interested person to participate in the hearing as a Protestant. No notices of protest were received. Subsequently, on June 16, 1999, the Commission granted a joint motion filed by Staff and the Company to extend the time for the filing of Staff's testimony to June 21, 1999, the Company's rebuttal testimony to June 22, 1999, and the Company's filing of its fuel monitoring projection data to July 23, 1999.

On June 21, 1999, Staff filed testimony wherein it recommended that a total fuel factor of 1.917¢/kWh be placed

into effect with the billing month of July 1999, without proration. The Staff also recommended that the Commission not accept the Company's proposed 1999-2000 fuel factor period nuclear fuel cost and its proposed price for off-system sales to PJM, and accept instead the Staff's alternative cost of \$5.4/MWh for nuclear fuel and alternative price for off-system sales of \$35.8/MWh. The Staff found that the assumptions underlying the Company's forecast of Virginia fuel expenses, as modified by the Staff's adjustments, to be generally reasonable and in compliance with the Commission's fuel cost projection standards.

The Company accepted Staff's recommendations, and the Staff and Company stipulated all issues in this matter.

The hearing was held on June 24, 1999. At the commencement of the hearing, the Company tendered its proof of notice and service.

Upon consideration of the record in this case, the Commission is of the opinion that Staff's proposed fuel factor of 1.917¢/kWh be placed into effect with the billing month of July 1999, without proration. Approval of this factor, however, is not construed as approval of the Company's actual fuel expenses. For each calendar year, the Commission's Staff conducts an audit and investigation which addresses, among other things, the appropriateness and reasonableness of the Company's booked fuel expenses. Staff's results are documented in an

Annual Report ("Staff's Annual Report"). A copy of Staff's Annual Report is sent to the Company and to each party who participated in the Company's last fuel factor proceeding, all of whom are provided with an opportunity to comment and request a hearing on the report.

Based on the Staff's Annual Report, and any comments or hearing thereon, the Commission enters an Order entitled "Final Audit for Twelve-Month Period Ending December 31, \_\_\_\_\_, Fuel Cost-Recovery Position," hereinafter referred to as "Final Audit Order." Notwithstanding any findings made by the Commission in an earlier order establishing the Company's fuel factor based on estimates of future expenses and unaudited booked expenses, the Final Audit Order will be the final determination of not only what are in fact allowable fuel expenses and credits, but also the Company's over or underrecovery position as of the end of the audit period. Should the Commission find in its Final Audit Order (1) that any component of the Company's actual fuel expenses or credits has been inappropriately included or excluded, or (2) that the Company has failed to make every reasonable effort to minimize fuel costs or has made decision resulting in unreasonable fuel costs, the Company's recovery position will be adjusted. This adjustment will be reflected in the recovery position at the time of the Company's next fuel factor proceeding. We reiterate that no finding in this order

is final, as this matter is continued generally, pending Staff's audit of actual fuel expenses. Accordingly,

IT IS ORDERED THAT:

(1) A total fuel factor of 1.917¢/kWh to be placed into effect with the billing month of July 1999, without proration.

(2) This case shall be continued generally.